

Approved by the Streamlined Sales Tax Project at its January 13, 2004 Meeting

Edited February 23, 2004 to add additional options for drugs for animal use and again based on February 27, 2004 teleconference

**Taxability Matrix
Library of Definitions**

State: Arkansas
Completed by: Sales Tax Section (Ms. Tanya Parker & Mr. Jerry Walton)
E-mail address: Sales.tax@rev.state.ar.us
Phone number: 501-682-1895

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Each of the items listed in the chart are defined in the Library of Definitions in the Streamlined Sales Tax Agreement adopted November 12, 2002, or adopted by the Implementing States subsequent to November 12, 2002. Refer to Appendix C of the Streamlined Sales Tax Agreement for each definition.

Place an "X" in the appropriate column under the heading "Treatment of definition" to indicate the treatment of each definition in your state. If a definition does not apply to your state, enter "NA" in the first column under the heading "Treatment of definition." In accordance with the agreement, your state must adopt the definitions in the Library of Definitions that apply to your state without qualifications except for those allowed by the agreement. For this reason, do not enter any comments or qualifications in the two columns under the heading "Treatment of definition". If your state has adopted a definition in the Library of Definitions with a qualification, do not place an "X" in either column under the heading "Treatment of definition" but include a comment in the "Reference" column explaining the qualification. Enter the applicable statute/rule cite in the "Reference" column.

Sellers and certified service providers are relieved from tax liability to the member state and its local jurisdictions for having charged and collected the incorrect amount of sales and use tax resulting from the seller or certified service provider relying on erroneous data provided by the member state relative to treatment of the terms defined in the Library of Definitions.

Administrative definitions	Treatment of definition		Reference
	Included in sales price	Excluded from sales price	
Sales price Identify how the options listed below are treated in your state. The following options may be excluded from the definition of sales price only if they are separately stated on the bill to the purchaser.			Statute/Rule Cite
<ul style="list-style-type: none">Charges by the seller for any services necessary to complete the sale other than delivery and installation	X		A.C.A. 26-52-103 (4)(A), 26-53-102 (A)
<ul style="list-style-type: none">Delivery charges including direct mail	X		A.C.A. 26-52-103 (4)(A), Reg. GR-18 (A)
<ul style="list-style-type: none">Delivery charged excluding direct mail	X		A.C.A. 26-52-103 (4)(A), Reg. GR-18 (A)
<ul style="list-style-type: none">Installation charges			See Note 3: Some installation charges are taxable. A.C.A. 26-52-

			301(3) (C), Reg. 9.1 and GR-7, Reg. 2004-1. Note 3
• Exempt personal property bundled with taxable personal property	X		A.C.A. 26-52-103 (4)(A), 26-53-102 (A)
• Credit for trade-in			No credit for trade-in is allowed except per Reg. GR-12 (B)(1)(g) & GR-14 (C)
Product definitions			
Clothing and related products	Taxable	Exempt	Statute/Rule Cite
Clothing	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution.
Clothing accessories or equipment	X		“ “
Protective equipment	X		Note 1: Limited exemption for Volunteer Fire Dept. Protective Equipment is exempt under Reg. GR-31.1 and A.C.A. 26-3-309
Sport or recreational equipment	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution.
Computer related products	Taxable	Exempt	Statute/Rule Cite
Computer software (not prewritten)	X		Note 1: Taxable if in tangible form. A.C.A. 26-52-304, 26-53-109, and Reg. GR-25. One exemption under Reg. GR-55(E)-certain manufacturing.
Computer software (not prewritten) delivered electronically		X	Reg. GR-25
Computer software (not prewritten) delivered via load and leave		X	Reg. GR-25 (Not taxable if customer doesn't receive any tangible personal

			property. Tax paid by seller on purchase or self-assess as a withdrawal from stock if delivered in tangible form.)
Prewritten computer software	X		Note 1: A.C.A. 26-52-304, 26-53-109, and Reg. GR-25 (Taxable if in tangible form). One exemption for public schools in Reg. 2004-5.
Prewritten computer software delivered electronically		X	Reg. GR-25
Prewritten computer software delivered via load and leave		X	Reg. GR-25 (Not taxable if customer doesn't receive any tangible personal property. Tax paid by seller on purchase or self-assess as a withdrawal from stock.)
Food and food products	Taxable	Exempt	Statute/Rule Cite
Candy	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution.
Dietary supplements	X		" "
Food and food ingredients	X		" "Exemptions in A.C.A. 26-52-421, Reg. GR-28, GR-33, and GR-35.
Food sold through vending machines	X		Note 2: A.C.A. 26-57-1001 et seq. A.C.A. 26-52-301, 302, 26-53-106, 107 and Amendment 75 to constitution.
Soft drinks	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution.

Prepared food			
Prepared food options - indicate whether the following options are included or excluded from the definition of prepared food.	Included in the definition	Excluded from the definition	Statute/Rule Cite
<ul style="list-style-type: none"> Food sold without eating utensils provided by the seller whose primary NAICS classification is manufacturing in sector 311, except subsector 3118 (bakeries) 	N/A	N/A	Note 1: Taxable as tangible personal property. Plan to define in Arkansas Code at later date.
<ul style="list-style-type: none"> Food sold without eating utensils provided by the seller in an unheated state by weight or volume as a single item 	“ “	“ “	“ “
<ul style="list-style-type: none"> Bakery items sold without eating utensils provided by the seller, including bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts, Danish, cakes, tortes, pies, tarts, muffins, bars, cookies, tortillas 	“ “	“ “	“ “
Health-care products			
Drugs (indicate how the options are treated in your state)	Taxable	Exempt	Statute/Rule Cite
<ul style="list-style-type: none"> Drugs for human use without a prescription 	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution.
<ul style="list-style-type: none"> Drugs for human use with a prescription 		X	A.C.A. 26-52-406 & Reg. GR-38
<ul style="list-style-type: none"> Drugs for animal use without a prescription 	X		Note 1: A.C.A. 26-52-405 & GR-45 (Some limited exemptions in Reg. GR-45)
<ul style="list-style-type: none"> Drugs for animal use with a prescription 	X		Note 1: A.C.A. 26-52-405 & GR-45 (Some limited exemptions in Reg. GR-45)
<ul style="list-style-type: none"> Insulin for human use without a prescription 		X	Reg. GR-38.1
<ul style="list-style-type: none"> Insulin for human use with a prescription 		X	Reg. GR-38.1
<ul style="list-style-type: none"> Insulin for animal use without a prescription 	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution.
<ul style="list-style-type: none"> Insulin for animal use with a prescription 	X		“ “
<ul style="list-style-type: none"> Medical oxygen for human use without a prescription 	X		“ “ Reg. GR-38
<ul style="list-style-type: none"> Medical oxygen for human use with a prescription 		X	Reg. GR-38
<ul style="list-style-type: none"> Medical oxygen for animal use without a prescription 	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106,

			107 & Amendment 75 to constitution.
Drugs continued	Taxable	Exempt	Statute/Rule Cite
<ul style="list-style-type: none"> Medical oxygen for animal use with a prescription 	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution
<ul style="list-style-type: none"> Over-the-counter drugs for human use without a prescription 	X		“ “
<ul style="list-style-type: none"> Over-the-counter drugs for human with a prescription 		X	Exempt per GR-38
<ul style="list-style-type: none"> Over-the-counter drugs for animal use without a prescription 	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution
<ul style="list-style-type: none"> Over-the-counter drugs for animal use with a prescription 	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution
<ul style="list-style-type: none"> Grooming and hygiene products for human use 	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution
<ul style="list-style-type: none"> Grooming and hygiene products for animal use 	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution
<ul style="list-style-type: none"> Drugs for human use to hospitals and other medical facilities 	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution; Exempt if meets Reg. GR-37 criteria
<ul style="list-style-type: none"> Prescription drugs for human use to hospitals and other medical facilities 		X	A.C.A. 26-52-406, Reg. GR-38, GR-37
<ul style="list-style-type: none"> Drugs for animal use to veterinary hospitals and other animal medical facilities 	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution, Limited Exemption under Reg. GR-45.
<ul style="list-style-type: none"> Prescription drugs for animal use to hospitals and other animal medical facilities 	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution, Limited Exemption under Reg.

			GR-45
• Taxable and nontaxable drugs bundled together	X		Note 1: A.C.A. 26-52-103 (4)(A), 26-53-102 (A)
• Free samples of drugs for human use	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution, Reg. GR-37
• Free samples of prescription drugs for human use		X	A.C.A. 26-52-406 (A)(2)
• Free samples of drugs for animal use	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution.
• Free samples of prescription drugs for animal use	X		“ “

Durable medical equipment (indicate how the options are treated in your state)	Taxable	Exempt	Statue/Rule Cite
• Durable medical equipment without a prescription	X		Note 1: A.C.A. 26-52-433 & 26-53-141
• Durable medical equipment with a prescription		X	A.C.A. 26-52-433 & 26-53-141, Reg. GR-38.2: Exempt if prescribed for a specific patient prior to sale
• Durable medical equipment paid for by Medicare		X	A.C.A. 26-52-433 & 26-53-141, Reg. GR-38.2, GR-36, GR-45. Sales to Federal Government are exempt. Exempt if prescribed for a specific patient prior to sale
• Durable medical equipment reimbursed by Medicare		X	A.C.A. 26-52-433 & 26-53-141, Reg. GR-38.2, GR-36. Exempt if prescribed for a specific patient prior to sale.
• Durable medical equipment paid for by Medicaid		X	A.C.A. 26-52-433 & 26-53-141, Reg. GR-38.2, GR-47, GR-36. Sales to the Federal

			Government are exempt. Exempt if prescribed for a specific patient prior to sale.
<ul style="list-style-type: none"> Durable medical equipment reimbursed by Medicaid 		X	A.C.A. 26-52-433 & 26-53-141, Reg. GR-38.2, GR-36. Exempt if prescribed for a specific patient prior to sale.
<ul style="list-style-type: none"> Durable medical equipment for home use without a prescription 	X		Note 1: A.C.A. 26-52-433 & 26-53-141
<ul style="list-style-type: none"> Durable medical equipment for home use with a prescription 		X	A.C.A. 26-52-433 & 26-53-141, Reg. GR-38.2. Exempt if prescribed for a specific patient prior to sale.
<ul style="list-style-type: none"> Durable medical equipment for home use paid for by Medicare 		X	A.C.A. 26-52-433 & 26-53-141, Reg. GR-38.2, GR-45, GR-36. Sales to the Federal Government are exempt. Exempt if prescribed for a specific patient prior to sale.
<ul style="list-style-type: none"> Durable medical equipment for home use reimbursed by Medicare 		X	A.C.A. 26-52-433 & 26-53-141, Reg. GR-38.2, GR-36. Exempt if prescribed for a specific patient prior to sale.
<ul style="list-style-type: none"> Durable medical equipment for home use paid for by Medicaid 		X	A.C.A. 26-52-433 & 26-53-141, Reg. GR-38.2, GR-45, GR-36. Sales to the Federal Government are exempt. Exempt if prescribed for a specific patient prior to sale.
<ul style="list-style-type: none"> Durable medical equipment for home use reimbursed by Medicaid 		X	A.C.A. 26-52-433 &

			26-53-141, Reg. GR-38.2, GR-36. Exempt prescribed for a specific patient prior to sale.
Mobility enhancing equipment (indicate how the options are treated in your state)	Taxable	Exempt	Statue/Rule Cite
<ul style="list-style-type: none"> Mobility enhancing equipment without a prescription 	X		Note 1: A.C.A. 26-52-433 & 26-53-141
<ul style="list-style-type: none"> Mobility enhancing equipment with a prescription 		X	A.C.A. 26-52-433 & 26-53-141, Reg. GR-38.2. Exempt if prescribed for a specific patient prior to sale.
<ul style="list-style-type: none"> Mobility enhancing equipment paid for by Medicare 		X	A.C.A. 26-52-433 & 26-53-141, Reg. GR-38.2, GR-36, GR-45. Sales to the Federal Government are exempt. Also, exempt if prescribed for a specific patient prior to sale.
<ul style="list-style-type: none"> Mobility enhancing equipment reimbursed by Medicare 		X	A.C.A. 26-52-433 & 26-53-141, Reg. GR-38.2, GR-36. Exempt if prescribed for a specific patient prior to sale.
<ul style="list-style-type: none"> Mobility enhancing equipment paid for by Medicaid 		X	A.C.A. 26-52-433 & 26-53-141, Reg. GR-38.2, GR-36 and GR-45. Sales to the Federal Government are exempt. Also, exempt if prescribed for a specific patient

			prior to sale.
<ul style="list-style-type: none"> Mobility enhancing equipment reimbursed by Medicaid 		X	A.C.A. 26-52-433 & 26-53-141, Reg. GR-38.2, GR-36. Exempt if prescribed for a specific patient prior to sale
Prosthetic devices (indicate how the options are treated in your state)	Taxable	Exempt	Statute/Rule Cite
<ul style="list-style-type: none"> Prosthetic devices without a prescription 	X		Note 1: A.C.A. 26-52-433 & 26-53-141
<ul style="list-style-type: none"> Prosthetic devices with a prescription 		X	A.C.A. 26-52-433 & 26-53-141, Reg. GR-38.2. Exempt if prescribed for a specific patient prior to sale.
<ul style="list-style-type: none"> Prosthetic devices paid for by Medicare 		X	A.C.A. 26-52-433 & 26-53-141, Reg. GR-38.2, GR-45, GR-36. Sales to the Federal Government are exempt. Also, exempt prescribed for a specific patient prior to sale.
<ul style="list-style-type: none"> Prosthetic devices reimbursed by Medicare 		X	A.C.A. 26-52-433 & 26-53-141, Reg. GR-38.2, GR-36. Exempt if prescribed for a specific patient prior to sale.
<ul style="list-style-type: none"> Prosthetic devices paid for by Medicaid 		X	A.C.A. 26-52-433 & 26-53-141, Reg. GR-38.2, GR-45, GR-36. Sales to the Federal Government are exempt. Also, exempt if prescribed for a specific patient prior to sale.
<ul style="list-style-type: none"> Prosthetic devices reimbursed by Medicaid 		X	A.C.A. 26-52-433 & 26-53-141, Reg. GR-

			38.2, GR-36. Exempt if prescribed for a specific patient prior to sale.
<ul style="list-style-type: none"> Corrective eyeglasses without a prescription 	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution.
<ul style="list-style-type: none"> Corrective eyeglasses with a prescription 	X		“ “
<ul style="list-style-type: none"> Corrective eyeglasses paid for by Medicare 		X	A.C.A. 26-52-401 (5), Reg. GR-47. Sales to the Federal Government are exempt.
<ul style="list-style-type: none"> Corrective eyeglasses reimbursed by Medicare 	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution.
<ul style="list-style-type: none"> Corrective eyeglasses paid for by Medicaid 		X	A.C.A. 26-52-401 (5), Reg. GR-47. Sales to the Federal Government are exempt.
<ul style="list-style-type: none"> Corrective eyeglasses reimbursed by Medicaid 	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution.
<ul style="list-style-type: none"> Contact lenses without a prescription 	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution.
<ul style="list-style-type: none"> Contact lenses with a prescription 	X		“ “ Tax paid by doctor if in the performance of his professional services; tax paid by end-user otherwise.
<ul style="list-style-type: none"> Contact lenses paid for by Medicare 		X	A.C.A. 26-52-401 (5), Reg. GR-47. Sales to the Federal

			Government are exempt. Any part not paid for by the Federal Government is taxable.
<ul style="list-style-type: none"> Contact lenses reimbursed by Medicare 	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution.
<ul style="list-style-type: none"> Contact lenses paid for by Medicaid 		X	A.C.A. 26-52-401 (5), Reg. GR-47. Sales to the Federal Government are exempt. Any part not paid for by the Federal Government is taxable.
<ul style="list-style-type: none"> Contact lenses reimbursed by Medicaid 	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution.
<ul style="list-style-type: none"> Hearing aids without a prescription 	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution.
<ul style="list-style-type: none"> Hearing aids with a prescription 		X	A.C.A. 26-3-307, Reg. GR-38.2, GR-47. Exempt if prescribed for a specific patient prior to sale (mobility enhancing equipment)
<ul style="list-style-type: none"> Hearing aids paid for by Medicare 		X	A.C.A. 26-3-307, Reg. GR-38.2, GR-47. Sales to the Federal Government are exempt. Also, exempt if prescribed for a specific patient prior to use.

• Hearing aids reimbursed by Medicare		X	A.C.A. 26-3-307, Reg. GR-38.2. Exempt if prescribed for a specific patient prior to sale (mobility enhancing equipment)
• Hearing aids paid for by Medicaid		X	A.C.A. 26-3-307, Reg. GR-38.2, GR-47. Sales to the Federal Government are exempt. Also, exempt if prescribed for a specific patient prior to sale (mobility enhancing equipment).
• Hearing aids reimbursed by Medicaid		X	A.C.A. 26-3-307, Reg. GR-38.2. Exempt if prescribed for a specific patient prior to sale (mobility enhancing equipment).
• Dental prosthesis without a prescription	X		Note 1: A.C.A. 26-52-301, 302, 26-53-106, 107 & Amendment 75 to constitution. Taxable to Dentist
• Dental prosthesis with a prescription	X		" "
• Dental prosthesis paid for by Medicare	X		" "Taxable to Dentist
• Dental prosthesis reimbursed by Medicare	X		" "Taxable to Dentist
• Dental prosthesis paid for by Medicaid	X		" "Taxable to Dentist
• Dental prosthesis reimbursed by Medicaid	X		" "Taxable to Dentist

Note 1: The sale of all tangible personal property by an established business and specifically enumerated services are subject to sales or use tax unless a specific exemption under Arkansas law applies.

Note 2: Vending machine operators are required to select an option for paying tax on their vending sales. Below are the options that are available:

Option 1: They elect to pay sales tax to their vendors on all purchases of merchandise that will be dispensed through the vending machines.

Option 2: They elect to purchase the merchandise for sale in the vending machines tax exempt & pay the wholesale vending tax on the purchase price of all merchandise sold through the vending machine.

Option 3: They elect to purchase the merchandise for sale in the vending machines tax exempt & pay an annual vending decal fee in lieu of paying sales tax.

Note 3: Taxable Installation Charges References:

SALES AND USE TAX REGULATION 2004-1 ((10). SERVICES SUBJECT TO TAX - INITIAL INSTALLATION))

A. The initial installation of any of the following is taxable, unless one of the exemptions listed below, applies:

1. Motor vehicles
2. Aircraft
3. Farm machinery and implements
4. Motors of all kinds
5. Tires and batteries
6. Boats
7. Electrical appliances and devices
8. Furniture
9. Rugs
10. Flooring
11. Upholstery
12. Household appliances
13. Televisions and radios
14. Jewelry
15. Watches and clocks
16. Engineering instruments
17. Medical and surgical instruments
18. Machinery of all kinds
19. Bicycles

20. Offices machines and equipment

21. Shoes

22. Tin and sheetmetal

23. Mechanical tools

24. Shop equipment

B. DEFINITIONS

1. “Initial installation” shall mean the first time setting up for use or service of the tangible property by connecting, fastening, attaching, joining, securing, building in, mounting, or otherwise affixing the property in the required location, except when the installation is provided in connection with the construction or substantial modification of a building or other improvement or structure affixed to real estate. “Initial installation” does not include delivery of an electrical appliance or household appliance, even if the delivery person plugs in the appliance for the owner.

2. “Electrical appliances and devices” include items commonly understood to be appliances that have electrical components and items such as electrical signs, transformers or other items installed on electrical utility power lines, cell phone towers, and computer hardware.

3. “Flooring” shall mean tile, hardwood, vinyl, carpet, a finished surface applied to concrete or other subfloor, or any other floor covering that overlays the subfloor of a structure to provide a finished surface for the floor, including decorative finishes.

4. “Household appliances” shall mean, for purposes of this regulation, any household appliance that requires installation, including dishwashers, disposals, and any other household appliance that is not an electrical appliance or device such as a hot water heater. For purposes of this regulation, “household appliances” does not include items that are not required to be installed, such as toasters, mixers, blenders, can openers, food processors, and other items that are considered to be small household appliances that do not require installation.

C. EXEMPTIONS.

1. INITIAL INSTALLATION OF EXEMPT PROPERTY. The service of initial installation of any property that may be purchased exempt from tax is not taxable. EXAMPLE: Machinery and equipment that meets the requirements for exemption as machinery and equipment used directly in manufacturing may be purchased exempt from tax. The labor to install machinery that qualifies for exemption as manufacturing machinery is not taxable.

2. INITIAL INSTALLATION IN NEW CONSTRUCTION. The service of initial installation of flooring, motors, electrical appliances or devices, household appliances, or machinery in a newly constructed or substantially modified building or other improvement or structure affixed to real estate is not taxable. Individuals or businesses that provide labor to install flooring, motors, electrical appliances or devices, household appliances, or machinery in new construction are acting as contractors and are not providing taxable services. The contractor should either pay tax to the supplier on the materials and equipment used in the installation, or self-assess tax as a withdrawal from inventory (stock) on the purchase price of all materials.

3. INITIAL INSTALLATION OF NONMECHANICAL, PASSIVE, OR MANUALLY OPERATED COMPONENTS. The law in effect prior to July 1, 2004 regarding the initial installation of nonmechanical, passive, or manually operated components that become part of real estate after installation has not changed. The initial installation of such nonmechanical components is not taxable.

D. INITIAL INSTALLATION IN EXISTING BUILDING TAXABLE. Heating and air contractors, electricians, plumbers, or others who install

flooring, motors, electrical appliances or devices, household appliances, or machinery for the first time (initial installation) in an existing building should collect tax on the labor charged to install the mechanical or electrical components. Any materials or parts installed are taxable to the customer. The labor to install ductwork and other nonmechanical, passive, or manually operated components that become part of the real estate is not taxable. If both taxable and nontaxable services are provided, the nontaxable charges must be separately stated on the invoice. Otherwise, the entire charge will be taxable.

E. REPAIRS AND REPLACEMENTS. The repair or replacement of flooring is taxable. The law in effect prior to July 1, 2004 regarding repair and replacement of motors, electrical appliances or devices, household appliances, or machinery has not changed. Any business or individual should continue to collect and remit tax on taxable repair and replacement services. See Arkansas Gross Receipts Regulation GR-21(E)(1)(b) – (d).

F. PURCHASE OF MATERIALS. A business holding a sales tax permit should purchase all materials used in its construction, repair, and retail business exempt from sales tax as sales for resale. Any materials used in the performance of non-taxable services, including initial installation in new construction, are not taxed to the customer; however, the business must self-assess, report, and pay sales tax as a withdrawal from inventory (stock) on the purchase price of the materials. The business must collect sales tax from its customers on retail sales of materials. Sales tax on materials used in performing taxable services is to be collected from the customer along with the labor charges. A business that is not required to hold a sales tax permit must pay tax on all purchases of materials.

SALES AND USE TAX REGULATION GR-7A. SERVICES SUBJECT TO TAX-TELEPHONE AND TELEGRAPH COMPANIES:

Certain services provided by telephone, telecommunications and telegraph companies are subject to gross receipts tax. Those services are:

1. basic local service and rental charges including:

a. installation and construction charges, and

b. all service and rental charges having any connection with the transmission of a message or image;

SALES AND USE TAX REGULATION GR-9.1. SERVICES SUBJECT TO TAX-TELEVISION:

The following services are subject to Gross Receipts Tax:

A. The service of cable television, community antenna television, and any and all other distribution of television, video, or radio services with or without the use of wires provided to subscribers or paying customers or users, including all service charges and rental charges, whether for basic service, premium channels, or other special service, and including installation and repair service charges and any other charges having any connection with the providing of the said services.

B. The tax levied by this section does not apply to services purchased by radio or television companies for use in providing their services.